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COMMUNICATION

Wages, Budgets, Cost of Living

The leading article in the September number of the *AMERICAN ECONOMIC REVIEW* asks the question, "Were real wages higher at the conclusion of the war than they were at its beginning?" and, as its finding, declares that "the purchasing power of the established week's work" in 1918 was less than in 1915 and that "American labor, as a whole" was compelled during the war "to run faster in order to stay in the same place."

This conclusion may be wholly tenable but, I submit, it is by no means proved by the budget data, index numbers and wage statistics presented for that purpose. Another study in the same issue of the *REVIEW*¹ gives timely caution against accepting, without qualification, the very budget figures which are there employed to set up a theoretical living cost for wage comparisons.

In an article entitled "What is the Cost of Living?"² I pointed out, many years ago, some of the difficulties involved in answering this question and in the use of such material. "That any one particular sum can ever be established as the average cost of living is as little to be expected as that the physiologist will be able to determine the invariable minimum quantity and quality of food necessary to sustain human life; there are too many modifying circumstances—age, sex, race, habits, climate, etc.—that certain limits are set to every investigation although, within those limits, valuable results may be obtained."

From practical experience in negotiating wage-scale contracts, principally in the printing trades, and, in four or five instances, taking them through original and appellate arbitration proceedings, perhaps I can open up certain viewpoints not always visible on the surface.

1. It goes without arguing that what is in dispute in these labor controversies is "real wages" as distinguished from mere money payments regardless of what the money will buy. The rapidly increasing costs of all the things needed for the worker's household accentuated the inadequacy of pre-war wage scales and, in seeking their revision, or asking for bonuses, the labor spokesmen properly stressed the price movements as evidence that their earnings were actually shrinking. In a few negotiations, the trades unions consented to insert in their agreement a variable wage conditioned upon index number changes but, as a rule, they refused unyieldingly to do so, clearly foreseeing that, in time, price reduction would mark reversal of the situation and invite demand for lower wages which such a scale would enforce automatically.

2. There is no accepted standard index number but, on the contrary, several such numbers differing from one another although, of course, moving in

¹ "Family Budgets and Wages," p. 447.

² *Charities Review*, April, 1892, then edited by Dr. John H. Finley.

the same direction. Price variations from place to place are considerable; it is impossible to apply an average to localities as widely separated, and as variant, as New York, Chicago, New Orleans and San Francisco; and in each controversy, one side or the other or both are always certain its conditions are exceptional.

3. The standard of living, as reflected in budget data, is also variable. There is no standard workman's family, in size, in number of income-contributing members, in number of dependents, their ages, their health, their mode of living, their requirements for clothing or personal adornment, recreation, etc. Obviously, the standard of living differs as between different classes of wage workers, *i.e.*, skilled and unskilled, in reality, according to the money they have to spend; and more than that, it differs greatly within the same class and within the same craft. Yet each wage scale is fixed uniformly for all the workmen who come under it, married and single, young and old, alert and slow, intelligent and stupid. It takes no cognizance of character of wife and children, who may be thrifty or extravagant and wasteful, helpful or a drag. The theoretical budget represents average minimum living costs of the head of a family supporting a wife and three children with no other resources or income and no outside help. Plainly, the wage barely sufficient for this theoretical workman will mean a much easier time for the unmarried or childless worker, or the family whose expenditures are met by several sharing them. The labor unions, themselves, recognize this palpable difference when they grant a greater strike benefit to married than to unmarried members and so also do our lawmakers when they accord married men greater income-tax exemption than single men and raise the exemption limit still further for each dependent child.

4. Shortage of labor supply, and consequent more insistent demand for labor at higher wages, induce previous dependents, or part-time workers, to become full-time wage earners. That is to say, under such conditions, other members of the workmen's household contribute to the family income in addition to the greater earnings of the regular workers enjoying full time and over-time and extra time at extra pay. In the printing trades, for example, compositors are required to "give out" their over-time (which is compensated at one and one-half rate) whenever they accumulate eight hours, but, with no one to take their places during the war, the rule was a dead-letter much of the time. For this period, there was no "unemployment" whatever.

5. The percentages, according to which the weighted index numbers are constructed as showing the relative outlay of the average workman's household for food, clothing, etc., cannot be applied as fixed figures, especially in a time of constantly and rapidly changing prices and money wages. It is notorious that working men, and others for that matter, coming into an unforeseen increase in the pay-check, launch into unaccustomed expendi-

tures and indulge themselves and their families generously in comforts and luxuries not before enjoyed, such as automobiles, musical instruments, new furniture, larger or better living quarters, furs, silk shirts, more costly foods, etc., quite in disproportion to the budget ratios. In a word, higher wages, more luxuries, higher living costs, less disposition to retrench.

6. Even for index-number wage computations, to stop with the year 1918 can not furnish a true picture because the peak of wage increases was not reached till 1919 and 1920, and price levels began immediately thereafter to recede in advance of wage reductions.

7. Whether comparative "hourly wages" is a more reliable criterion than "total weekly earnings" will depend upon the viewpoint—whether of the worker or of the employer. Hourly wages might suggest that the man's time is compensated, irrespective of how much work he turns out, and that he should put in just the number of hours (or other units of time) necessary to give him a total wage equal to his cost of living according to his family budget. The employer, however, does not count the hours or days, except for the output of the labor performed in that period of time. A higher hourly wage may yield, by comparison, smaller results through slackened effort, or inefficiency, or substitution of less capable workmen for those called into the ranks for the war, and the unit of cost be pushed up in larger ratio than the real, or even the money, wage. It was not uncommon for compositors to institute what they called a "production strike" to enforce demands without openly breaking a scale contract—by means of a sort of gentleman's agreement, to slow down to the "dead line" and thus increase the cost to "the office" as notice to "come across." As a humorous incident in one such case, a fast operator, unable to reduce his speed, was caught turning in a "lineage," much less than the "clock" on his machine registered, to avoid being suspected of breaking faith with his confederates with whom he had agreed to undertake a production strike. It has been many times developed that total pay-roll costs in particular establishments during the war increased in proportion to output in a noticeably greater degree than the wage scale increase.

8. To the employer, there are other labor cost factors besides wages—industrial accident insurance, sickness and vacation allowances, retirement pensions, group life insurance premiums, prosperity bonuses—all taking money and perhaps saving an expense to the workman, but never calculated as contents of the pay envelope. Equally important to the employees, and often still more costly, are the shop practices or rules that make the work more expensive to produce, the artificial demarcation of jurisdiction between different crafts, the requirement of excessive crews to man certain machinery, protecting a "stint" for a full-pay journeyman that can as well be performed by an unskilled person or by an apprentice—all tending to create "jobs" or compel high-priced overtime.

9. The fact should not be overlooked, moreover, that each class of labor,

whenever possible, takes advantage of its strategic position to advance its own rank relative to other classes. In the days of direst shortage, common labor often exacted higher wages than artisans possessing skill acquired only by years of training. It is of record for one city, not likely to be alone in this respect, that electrical wiring men, who at the outbreak of the war were receiving \$4.00 a day, as against brick-layers earning \$6.00 a day, at the close were getting \$10.00, the same as the bricklayers; the wage increase for one was 150 per cent and for the other only 66 per cent. In many areas, the customary \$3-a-week differential of newspaper compositors above job office compositors was eliminated and, here and there, stereotypers and pressmen, previously paid below compositors, brought themselves to the same level. On one occasion, I was waited on by a delegation of mailers, who rank as the bundle-wrappers and shipping clerks of the publishing industry, insisting that what they were doing was as necessary and as vital to the getting out of the newspaper as the task of the highest compensated worker and entitled them to the same pay. The point I wish to make is, that the relative wages of various classes of workmen are subject to change according to the condition of the labor supply without reference to the index number or the family budget.

The crux of the matter, then, is this: Whatever refinement of definition we may resort to, wages, in reality, measure, and must always measure, the worker's share of the product. Without a product to divide, there can be no share for anyone; a greater share of the same product for one factor means a smaller share for some one else; an increased product alone makes it possible to increase the share of labor without decreasing any other share, and may possibly permit all the distributive shares to be increased. Modern trades union policy, however, strenuously objects to piece work, or to speed or production bonuses—it presents some good arguments for its contention. The problem, therefore, is to raise the whole level of efficiency and this must be accomplished, in the future even more than in the past, by more complete industrial organization, by more effective harnessing of natural forces and greater utilization of natural resources, by efficiency methods, improved machinery, economical shop lay-outs, by saving carrying costs through attention to correct geographical location of industry, by thorough vocational training, by health preservation measures and sane recreations to keep the man power in prime condition, and, above all, by inculcating a stronger sense of mutual obligation and moral responsibility. To the extent that the wage worker contributes to industrial progress, he has a right to demand his full share of the accruing benefits, and to be advanced, and not merely forever kept where he is by wage adjustment and readjustment to an index number computed upon an artificial aggregation of cost-of-living figures.

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